

# FISCAL UPDATE

December 21, 2004

## Legislative Services Agency

(515)-281-5279 FAX 281-8027

<http://staffweb.legis.state.ia.us/lfb>

### DECEMBER REVENUE ESTIMATING CONFERENCE MEETING

#### REC Meeting

The Revenue Estimating Conference (REC) met on December 14, and increased the FY 2005 estimated net General Fund receipts by \$19.7 million and the FY 2006 estimated net General Fund receipts by \$65.9 million.

#### FY 2005



The REC estimate for FY 2005 net General Fund receipts is now \$4.746 billion, an increase of \$62.7 million compared to actual FY 2004. Gross General Fund revenue (excluding transfers) increased by \$140.8 million through December 13. Revenue changes expected to negatively impact the remainder of FY 2005 include bonus depreciation, residential energy utility tax, insurance premium tax phase-down, and reduced unclaimed property transfers. Major changes from the October estimate include:

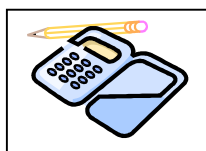
- A \$22.2 million increase in income tax receipts. The projected gross income tax revenue increase for FY 2005 is now \$124.4 million. Income tax revenue increased by \$66.1 million through December 13.
- A \$3.9 million increase in sales/use tax receipts. The projected gross sales/use tax revenue increase for FY 2005 is now \$34.4 million. Sales/use tax revenue increased by \$35.2 million through December 13. The tax phase-out for residential energy utilities is expected to reduce sales/use tax revenue growth during the remainder of FY 2005.
- A \$9.8 million decrease in corporate tax receipts. The projected gross corporate tax revenue decrease for FY 2004 is now \$4.2 million. Corporate tax revenue increased by \$19.0 million through December 13. Tax changes related to bonus depreciation are expected to reduce corporate tax revenue during the remainder of FY 2005.
- A \$5.1 million increase in estimated tax refunds. The projected decrease in FY 2005 tax refunds is now \$14.4 million. Tax refunds have decreased by \$31.1 million (cash basis) through December 13.



#### **IN THIS ISSUE:**

Revenue Estimating Conference Meeting, pg. 1  
FY 2005/FY2006 Medicaid Estimates, pg. 3  
Net Tax Supported Debt Report, pg. 4  
FY 2006 General Fund Budget Requests:  
Department for the Blind, pg. 4  
Department of Education, pg. 4  
Judicial Branch, pg. 5  
Council on Human Services Meeting, pg. 6  
Government Oversight Committee Mtg., pg. 7  
Natural Resource Commission Meeting, pg. 8

College Student Aid Commission Meeting, pg. 9  
Medical Assistance Advisory Council, pg. 10  
Medical Assistance Crisis Intervention Team, pg. 10  
Board of Corrections Meeting, pg. 11  
**Issue Review**-CREP, pg. 12  
**Issue Review**-BOR Student Financial Aid, pg. 13  
**Issue Review**-College Work Study, pg. 13  
**Issue Review**-High School Dropouts, pg. 15  
**Issue Review**-Special License Plates, pg. 15



### **FY 2005 Revenue Estimating Conference Projection**

Dollars in Millions

	<b>Actual FY 2004</b>	<b>October FY 2005 Estimate</b>	<b>December FY 2005 Estimate</b>	<b>Increase (Decrease) to Estimate</b>
Income Tax	\$2,592.3	\$2,694.5	\$2,716.7	\$22.2
Sales/Use Tax	1,732.4	1,762.9	1,766.8	3.9
Corporate Tax	234.8	240.4	230.6	-9.8
Insurance Tax	138.2	135.0	145.0	10.0
Other Taxes	228.3	222.0	224.2	2.2
<b>Total Taxes</b>	<b>\$4,926.0</b>	<b>\$5,054.8</b>	<b>\$5,083.3</b>	<b>\$28.5</b>
Other Receipts	\$332.0	\$319.9	\$316.2	\$-3.7
<b>Total Taxes &amp; Other Receipts</b>	<b>\$5,258.0</b>	<b>\$5,374.7</b>	<b>\$5,399.5</b>	<b>\$24.8</b>
Transfers	\$57.5	\$96.9	\$96.9	\$0.0
Accruals (Net)	\$83.0	\$-49.6	\$-49.6	\$0.0
Refunds	\$-715.0	\$-695.5	\$-700.6	\$-5.1
<b>Net General Fund Receipts</b>	<b>\$4,683.5</b>	<b>\$4,726.5</b>	<b>\$4,746.2</b>	<b>\$19.7</b>

### **FY 2006**

The REC estimate for FY 2006 net General Fund receipts is now \$4.903 billion, an increase of \$156.8 million compared to the new REC estimate for FY 2005. The revised estimate is \$65.9 million higher than the October REC projection. Major changes from the October estimate include:

- A \$43.3 million increase in projected gross personal income tax receipts and a \$9.4 million increase in gross sales/use tax receipts. The increase is due to stronger projected economic growth.
- A \$6.8 million decrease in projected corporate tax receipts. The decrease is related to bonus depreciation tax law changes.
- A \$20.0 million increase in insurance premium tax. The increase is due to a recalculation of the impact and timing of Iowa's insurance premium tax phase-down.



### **FY 2006 Revenue Estimating Conference Projection**

Dollars in Millions

	<b>Estimate FY 2005</b>	<b>October FY 2006 Estimate</b>	<b>December FY 2006 Estimate</b>	<b>Increase (Decrease) to Estimate</b>
Income Tax	\$2,716.7	\$2,723.6	\$2,766.9	\$43.3
Sales/Use Tax	1,766.8	1,792.5	1,801.9	9.4
Corporate Tax	230.6	273.3	266.5	-6.8
Insurance Tax	145.0	125.0	145.0	20.0
Other Taxes	224.2	219.1	223.0	3.9
<b>Total Taxes</b>	<b>\$5,083.3</b>	<b>\$5,133.5</b>	<b>\$5,203.3</b>	<b>\$69.8</b>
Other Receipts	\$316.2	\$294.9	\$292.4	\$-2.5
<b>Total Taxes &amp; Other Receipts</b>	<b>\$5,399.5</b>	<b>\$5,428.4</b>	<b>\$5,495.7</b>	<b>\$67.3</b>
Transfers	96.9	66.3	66.3	\$0.0
Accruals (Net)	-49.6	9.8	9.8	\$0.0
Refunds	-700.6	-667.4	-668.8	\$-1.4
<b>Net General Fund Receipts</b>	<b>\$4,746.2</b>	<b>\$4,837.1</b>	<b>\$4,903.0</b>	<b>\$65.9</b>

## Summary Table



The following table provides a summary of the past two fiscal years and the two present REC estimates. A more detailed spreadsheet of the FY 2005 and FY 2006 estimates may be accessed on the Legislative Services Agency (LSA) web site at: <http://staffweb.legis.state.ia.us/lfb/qre/qre.htm>.

Revenue Estimating Conference Projection				
Dollars in Millions				
	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Estimated FY 2006
Income Tax	\$2,417.6	\$2,592.3	\$2,716.7	\$2,766.9
Sales/Use Tax	1,704.6	1,732.4	1,766.8	1,801.9
Corporate Tax	237.0	234.8	230.6	266.5
Insurance Tax	142.2	138.2	145.0	145.0
Other Taxes	234.0	228.3	224.2	223.0
Total Taxes	\$4,735.4	\$4,926.0	\$5,083.3	\$5,203.3
Other Receipts	\$311.5	\$332.0	\$316.2	\$292.4
Total Taxes & Other Receipts	\$5,046.9	\$5,258.0	\$5,399.5	\$5,495.7
Transfers	129.0	57.5	96.9	66.3
Accruals (Net)	-44.8	83.0	-49.6	9.8
Refunds	-647.3	-715.0	-700.6	-668.8
Net General Fund Receipts	<u>\$4,483.8</u>	<u>\$4,683.5</u>	<u>\$4,746.2</u>	<u>\$4,903.0</u>
Year-over-year Incr./Decr.	<u>\$-198.3</u>	<u>\$199.7</u>	<u>\$62.7</u>	<u>\$156.8</u>

## More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

## FY 2005 AND FY 2006 MEDICAID ESTIMATES

## Medicaid Estimates



Staff from the Department of Management, Department of Human Services (DHS), and the Fiscal Services Division of the LSA met on November 29 to discuss estimated expenditures for the Medical Assistance (Medicaid) Program for FY 2005 and FY 2006. The staffs meet monthly to discuss estimated expenditures for the current fiscal year and to agree on a range for expenditures.

## FY 2005

When the FY 2005 Medicaid budget of \$568.5 million was enacted, it was discussed that the funding was not likely to be sufficient to cover the full cost. A shortfall for FY 2005 is projected. The agreed upon range for the FY 2005 shortfall is \$52.0 to \$85.0 million compared to the FY 2005 appropriation. The range is unchanged from October.

## FY 2006

The three staffs agreed to an estimated range of an increase of \$82.0 to \$130.0 million for FY 2006. The increase is relative to the original FY 2005 appropriation, prior to any FY 2005 supplemental appropriation, and assumes that Iowa continues to receive revenue from the Intergovernmental Transfers (IGTs).

It is likely that the IGTs will be discontinued in FY 2006. This would increase the range by \$66.0 to \$148.0 million to \$196.0 million for FY 2006. The range is unchanged from October.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

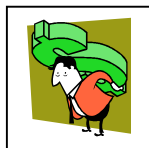
---

**NET TAX SUPPORTED DEBT REPORT**

**Report Released**

The Fiscal Services Division of the LSA released a report on the State of Iowa's Net Tax Supported Debt. The report provides information on the State's debt that is directly related to the amount of resources that the General Assembly has available to appropriate from year to year.

**Tax-Supported Debt**



Net Tax Supported Debt includes debt that the General Assembly and the Governor have authorized and committed specific revenues to retire the debt. Outstanding principal for Net Tax Supported Debt as of June 30, 2004, was \$555.3 million. The amount of interest to be paid on this debt, assuming no refinancing, will be \$233.3 million. The total amount of outstanding principal and interest is \$788.6 million.

**Copies Available**

Copies of the report may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: David Reynolds (Ext. 16934)

---

**DEPARTMENT FOR THE BLIND – FY 2006 GENERAL FUND BUDGET REQUEST**

**Budget Request**

The Department for the Blind submitted a FY 2006 General Fund budget request of \$2.0 million. This is an increase of \$412,000 (26.0%) compared to estimated FY 2005.

**Increase Requested**



Since FY 2003, the Department has been using interest income from its Gifts and Bequests account to backfill funding for general operations in order to avoid cutting staff and services as a result of State budget reductions. Donors and consumer groups have expressed strong objections to this practice, and the Department plans to end the practice in FY 2006.

Without a significant increase in General Fund support in FY 2006, the Department will consider laying off approximately 30 staff (29.1%) and reducing services to clients.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

---

**DEPARTMENT OF EDUCATION – FY 2006 GENERAL FUND BUDGET REQUEST**

**Budget Request**

The Department of Education submitted a FY 2006 General Fund budget request of \$239.1 million. This is an increase of \$10.7 million (4.7%) compared to estimated FY 2005.

**Increases Requested**

The Department requested the following increases for FY 2006:

- Iowa Public Television – An increase of \$158,000 (2.4%) to replace FY 2005 one-time funding from a carry-forward in the Student Achievement and Teacher Quality Program.
- Student Achievement and Teacher Quality Program – An increase of \$5.5 million (12.1%) to maintain teacher salaries at the FY 2005 level.
- Community College General Aid – A general increase of \$5.6 million (4.0%).

**Achievement Gap Grants**

The Department is not requesting continued funding for Achievement Gap Grants initiated in FY 2005 with a General Fund appropriation of \$500,000.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Robin Madison (Ext. 15270)

---

**JUDICIAL BRANCH – FY 2006 GENERAL FUND BUDGET RECOMMENDATION****Budget Request**

The Supreme Court submitted a FY 2006 General Fund recommendation of \$130.6 million on December 1. This is an increase of \$10.6 million (8.8%) compared to the estimated FY 2005 appropriation.

**FY 2006 Increase**

The recommended increase includes:

- \$2.8 million to lift the eight unpaid leave and court closure days experienced in FY 2005. This figure also includes restoration of travel costs to serve all 99 counties, plus educational conferences for judges and court staff.
- \$1.1 million to fund all currently authorized positions.
- \$336,000 to fund ongoing operating costs at the new Judicial Building.
- \$1.0 million to fund ongoing operating costs of the Iowa Court Information System (ICIS) from the General Fund rather than the Enhanced Court Collections Fund.
- \$2.1 million to add 41.0 FTE positions across the State.
- \$416,000 for furniture and equipment for the new Dickinson County courthouse, furnishings across the State, increased reimbursement to the Department of Administrative Services, and membership in the Consortium for State Court Interpreter Certification.
- \$2.9 million for the Judicial Retirement Fund.

**FY 2005 Supplemental**

The Supreme Court is also recommending a \$1.5 million supplemental appropriation for FY 2005. The request will provide funds to eliminate four unpaid furlough days and restore the travel budget to previous levels.

**More Information**

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

---

## **DECEMBER COUNCIL ON HUMAN SERVICES MEETING**

### **Council Meeting**

The Council on Human Services met via teleconference on December 8 and conducted the following business:

### **Admin. Rules**



The Council approved the following Administrative Rules for adoption:

- Annual payment level adjustments for the State Supplementary Assistance Program. For one-half of FY 2005, the net State impact is \$51,000, and for an entire fiscal year the impact is \$104,000. A portion of the State impact is offset by increases in a client's income and decreases in the expected number of bed days for residential care facilities (RCFs).
- Annual changes in the eligibility for a spouse in a medical institution when the other spouse is in the community. The Department of Human Services (DHS) estimates that the annual State cost will be \$5,000.
- Expansion of the eligibility for the Home and Community-Based Services III and Handicapped Waiver for certain recipients up to the age of 24 who had received the services at age 21, and including the cost of nursing and personal care services. A savings to the State is expected during the nine months of FY 2005 for the estimated 15 persons impacted by the change as a result of receiving federal funds under the Waiver in lieu of expending 100.0% State funds for exceptions to eligibility for these individuals to receive services.

### **Noticed Rules**

The Council also approved the following Administrative Rules for adoption at a future meeting:

- Permitting a faxed application for Medicaid to be the same as an original form. There could be minimal savings with less paper and postage to return the application to the applicant to obtain the original form.

### **Member Reports**

The members discussed a concern regarding the Preferred Drug List (PDL) being implemented in mid-January for Medicaid recipients, which may alter the amount of co-pay a recipient is charged if a brand-name drug replaces a generic drug on the List.

### **Director's Report**

Director Concannon provided the following information:

- Indicated that a tentative agreement has been reached with the federal Centers for Medicare and Medicaid Services (CMS) regarding FY 2001 audits of child welfare entities. As part the agreement, the State would forego up to \$6.0 million in federal funds for retroactive claims in exchange for not paying up to \$6.0 million that the State may owe in audit recoupments.
- Expressed concerns regarding the federal Medicare Part D prescription drug benefit enrollment process and requirements may have on the DHS. Iowa has been placed in federal Region 19, with North and South Dakota, Minnesota, Nebraska, and Wyoming for the Pharmacy Delivery Organization of the prescription drug benefit. Enrollment is expected to begin in April 2005.
- Provided an update regarding negotiations with the federal CMS for the Intergovernmental Transfers (IGTs) with the federal Office of Management and Budget reviewing the budget neutrality of the proposal.
- Reviewed the recommendations of the Medicaid Crisis Intervention Team.

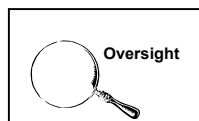


- Announced that the Superintendent of the State Resource Center at Glenwood would be named soon. (Since the meeting, Tom Hoogestraat, Interim Superintendent, was announced as the new Superintendent.)

**Next Meeting**

The next meeting is scheduled for January 12, 2005. Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942) Jennifer Vermeer (Ext. 14611)

**GOVERNMENT OVERSIGHT COMMITTEE MEETING**
**Oversight Meeting**


The Government Oversight Committee met on December 8 and 9 and discussed the following items:

The Committee reviewed and approved a letter to the Legislative Council to provide an update of the Committee's 2004 activities.

**Administrative Services**

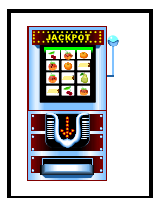
Director Mollie Anderson, Department of Administrative Services, provided an update on the Department's activities, which was required by legislation.

**Global Warming Lawsuit**

Attorney General Tom Miller provided information regarding the State joining a multi-state lawsuit against non-Iowa utility companies that emit carbon dioxide (CO<sup>2</sup>) and other gases that may contribute to "global warming." A presentation was also provided by Jay Lehr from Heartland Institute of Chicago suggesting that global warming is not the threat some believe it to be.

**DNR Improvement Process**

The Committee heard a presentation by Teresa Hay McMahon, Department of Natural Resources (DNR) regarding the Kaizen business improvement process being used in the Department.

**Gaming Issues**


Director Ed Stanek, Iowa Lottery, provided financial information requested by the Committee from the November meeting.

Janet Zwick, Department of Public Health, provided responses to requests on the Gamblers Treatment Program by the Committee from the November meeting.

Jean Davis, Department of Inspections and Appeals, and Steve Bogle and Joe Diaz, Department of Public Safety, provided an update regarding the investigations of illegal gaming machines throughout the State.

**Ethics Board**

Director Charlie Smithson, Ethics and Campaign Disclosure Board, discussed the status of requests made to the Board by the Committee and gave an update on electronic submission of campaign reports.

**Manure Management**

Barbara Lynch and Wayne Gieselman, DNR, provided statistical information regarding the management of animal, chemical, and human waste, including complaint calls and responses.

**Required Reports**

Charlie Krogmeier, Secretary of State's Office, and Steve Moline, Attorney General's Office, discussed reports required from agricultural-related



business and industry in Iowa and provided a comparison of the reports required by surrounding states.

#### **Billing Issues**



Kim Schmett, Coalition for Family and Children's Services for Iowa, and Jan Clausen, Department of Human Services, provided an update regarding Residential Treatment Services billing audits and the status of the negotiations to resolve billing issues. Also present were Warren Jenkins, Auditor of State's Office, and Legislative Staff to respond to Committee questions.

#### **Charter Agencies**

The Committee heard from Jim Chrisinger, Department of Management, regarding significant changes in Charter Agency agreements from FY 2004 to FY 2005.

Joe Royce, Administrative Rules Coordinator, responded to the Committee request regarding the Charter Agencies ability to request waivers in administrative rules.

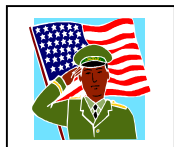
#### **Board of Regents**

Greg Nichols, Board of Regents, discussed the status of the fund that contains the proceeds from Principal's Demutualization and the planned use of these funds in the future. He also discussed the Board of Regent's plan to limit tuition growth at the State universities.

#### **Veterans Affairs**

Wes Ehrecke, Iowa Gaming Association, responded to a Committee request regarding possible sources of funding for the Veterans Trust Fund. Patrick Palmersheim, Iowa Commission of Veterans Affairs, presented the status of obtaining benefits for the State's Veterans, including the Veterans Cemetery.

#### **More Information**



Additional information is available from the LSA upon request or by accessing the 2004 Interim Calendar on the LSA web site at: <http://www.legis.state.ia.us/Current/Interim/>. Copies of the agenda and handouts may be accessed on the web site at: <http://staffweb.legis.state.ia.us/lfb/committee/oversight/oversight.htm>.

STAFF CONTACT: Sam Leto (Ext. 16764) Douglas Wulf (Ext. 13250) Richard Nelson (25822)

---

### **NATURAL RESOURCE COMMISSION MEETING**

#### **Commission Meeting**

The Natural Resource Commission met on December 9 and discussed the following:

#### **Land Purchase**

The Commission approved the following land purchases:

- The purchase of 60 acres in Humboldt County for the appraised value of \$93,000. The current owner will maintain crop production rights through 2005.
- Additional compensation of \$40,000 to MidAmerican Energy Company to remove and replace three electrical towers at Lost Grove Lake in Scott County.

#### **Cooperative Agreement**

The Commission approved a cooperative agreement between the Department of Natural Resources (DNR) and Ducks Unlimited for a cost-share funding support of the Prairie Habitat Joint Venture in Saskatchewan, Canada.



**Timber Sale**


The Commission approved the following timber sales:

- The harvest of five acres of low-quality walnut in the Shimek State Forest.
- The harvest of 10 acres in the Keosauqua Unit of the Shimek State Forest.
- The harvest of eight acres in the Chariton Unit of the Stephens State Forest.
- The harvest of 81 trees at the Loess Hills State Forest.

**Project AWARE**

A presentation was given on the Watershed Awareness and River Expedition Project regarding the clean-up event held within the Des Moines Watershed this past summer.

**Youth Deer Hunt**


Information was provided on the Youth Educational Deer Hunt that was held in Springbrook State Park on November 19 through 21. There were 20 participants in the event that educated young hunters on deer management, safety issues, hunting laws, scouting basics, field dressing, and other related topics.

**Next Meeting**

The next meeting is scheduled for February 10, 2005.

**More Information**

Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, access the DNR web site at: <http://www.iowadnr.com/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

**COLLEGE STUDENT AID COMMISSION MEETING**
**Commission Meeting**

The College Student Aid Commission met on December 3 in Des Moines. Significant agenda items included:

**Defaulted Partnership Loans**

The Commission authorized staff to increase the purchase commitment for defaulted partnership loans from \$4.5 to \$5.0 million. Due to the introduction of wage garnishment, the Commission expects loan recoveries to increase significantly.

**Loan Rehabilitation**


The Commission authorized staff to enter into a contract with Sallie Mae for the right to purchase loan rehabilitation portfolios through December 2007. During FY 2004, the Commission sold 918 rehabilitated loans totaling \$7.2 million. Loan rehabilitation allows borrowers that have defaulted on loans to receive a "second chance" by making 12 voluntary on-time monthly payments. If the borrower is successful, the loans may be sold to a participating lender and default records are expunged. As an added incentive, the Commission waives the 18.5% fee charged to borrowers at the time of sale.

**Iowa Tuition Grant Awards**

The Commission increased Iowa Tuition Grant awards by \$275 to a maximum award of \$3,875. Additional funds are available because of a combination of fewer eligible applicants, increased funding for the year, and reallocation of funding available to not-for-profit institutions. The statutory maximum grant amount is \$4,000.

**Marketing Services**

The Commission authorized extension of a marketing contract with Mathis, Earnst, and Vandeventer for one calendar year, through 2005, not to exceed \$75,000.

**New Executive Director**

After a closed session, the Commission announced the appointment of a new Executive Director to succeed Gary Nichols who is retiring on December 31. Karen Misjak was appointed at a salary of \$80,000 plus the usual fringe benefits. Ms. Misjak was most recently employed at the college loan guaranty agency in Missouri.

**Next Meeting**

The next meeting is scheduled for January 18, 2005.

**More Information**

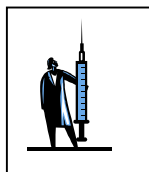
Additional information, including the full text of meeting materials is located on the Commission's web site at: <http://www.iowacollegeaid.org/about.html>

STAFF CONTACT: Mary Shipman (Ext. 14617)

---

**MEDICAL ASSISTANCE ADVISORY COUNCIL MEETING**

**Meeting**



The Medical Assistance Advisory Council (MAAC) met on December 1. Issues discussed included the following:

- An update on Medicaid expenditures and eligibles.
- A presentation on the process for adding new members to the MAAC. Several groups have requested to be added to the Council.
- An update on the Iowa Medicaid Enterprise.
- An update on the Preferred Drug List (PDL).
- An update on the Medical Assistance Crisis Intervention Team.

**Next Meeting**

The next meeting is scheduled for January 5, 2005. Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

---

**MEDICAL ASSISTANCE CRISIS INTERVENTION TEAM  
RECOMMENDATIONS**

**Report**

Senate File 2298 (FY 2005 Omnibus Appropriations Act) established the Medical Assistance Crisis Intervention Team consisting of provider representatives and chaired by the President of the University of Iowa. The Team was required to submit a report of findings on December 1, 2004.

**Estimates**



The Department of Human Services (DHS) is required to staff the Team and provide detailed projections of Medicaid expenditures and enrollment through FY 2008. In addition, the DHS is required to provide \$130.0 million in spending reduction options. The expenditure estimates and savings options compiled by the DHS may be accessed on the web site at: <http://www.dhs.state.ia.us/Publications/macit/MACITSiouxSummary.asp>

The State General Fund estimates from the DHS are listed below. The DHS provided two versions of the estimates. Version 1 assumes that Intergovernmental Transfers (IGTs) continue. Version 2 assumes that IGTs

will be discontinued. Each version has two trends. Trend 1 assumes current policies continue and transfers from the Senior Living Trust Fund continue through FY 2006. Trend 2 assumes the cost for each unit of service is 2.5% higher for all categories of service and the Senior Living Trust Fund transfers stop after FY 2005.

Estimated General Fund Costs of Iowa Medicaid (\$ in millions)				
Year	Version 1		Version 2	
	Trend 1	Trend 2	Trend 1	Trend 2
FY 2005	\$431.0	\$431.0	\$448.0	\$448.0
FY 2006	\$476.0	\$668.0	\$514.0	\$705.0
FY 2007	\$630.0	\$695.0	\$690.0	\$755.0
FY 2008	\$653.0	\$722.0	\$737.0	\$806.0

## Recommendations



The Team made a number of recommendations, including but not limited to the following:

- No reductions to eligibility, services, or provider reimbursement rates.
- Implementation of a Preferred Drug List (PDL), expansion of incentives for Iowans to purchase Long Term Care Insurance, and reducing regulatory burdens on health care providers.
- Expansion of drug utilization review, increased collaboration between physicians and pharmacists, and urging the federal government to use its purchasing power to negotiate lower prices on prescription drugs.
- Creation of a standing commission on health care.
- Revenue enhancements, including a \$1.00 increase in Iowa's cigarette tax, a tax on advertising that promotes unhealthy consequences, and an increase in the alcohol tax. The proceeds of the revenue enhancements would be directed to the Medicaid Program.

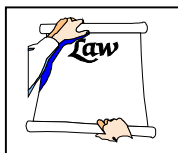
## More Information

The Team's full report may be accessed on the web site at: <http://www.uiowa.edu/~govrel/macit/index.html>. Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

## BOARD OF CORRECTIONS MEETING

### Board Meeting



The Board of Corrections met on December 3 at the Corrections Training Center in West Des Moines. Dr. O'Brien, Acting Interim Medical Director, was introduced. He will serve as Medical Director for the Department of Corrections (DOC) while Dr. Deol is on a one-year leave of absence. Dr. O'Brien indicated medical staff are concentrating efforts on mental health and suicide prevention. Five inmates have committed suicide within the last two years.

### Administrative Rules

Michael Savala, General Counsel, presented administrative rules to the Board for review and approval. The Board approved, as amended, the policy regarding Community-Based Corrections (CBC) firearms. The Board also approved non-substantive changes to CBC rules.

### Technology

Deputy Director John Baldwin presented information regarding the Iowa Corrections Offender Network (ICON). The Institutions are now using the ICON and are completely disconnected from the State's mainframe system.

### Prison Industries



Deputy Director Roger Baysden presented Iowa Prison Industries' annual report. All 50 states have prison industries. Iowa ranks as follows:

- 29<sup>th</sup> in sales.
- 9<sup>th</sup> in jobs in the private sector.
- 5<sup>th</sup> in farm jobs.

### Next Meeting

The next Board meeting is scheduled for January 20, 2005. Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

---

## ISSUE REVIEW RELEASED – CONSERVATION RESERVE ENHANCEMENT PROGRAM

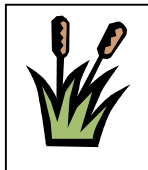
### Issue Review

The Fiscal Services Division of the LSA recently released an *Issue Review* that provides an overview of the Conservation Reserve Enhancement Program (CREP).

### Background Information

The Conservation Reserve Enhancement Program (CREP) is a partnership between federal, State, local, and private entities that provides financial incentives to landowners to establish wetlands for water quality improvement in tile-drained regions of Iowa. The Program was initiated from the Environment First Fund established by the 2000 General Assembly in SF 2453 (FY 2001 Infrastructure Appropriations Act).

### Program Overview



The Program is administered by the United States Department of Agriculture (USDA) Farm Service Agency and the Iowa Department of Agriculture and Land Stewardship, Soil Conservation Division, with technical support provided by the USDA Natural Resources Conservation Service. Practices include wetland restoration and buffers in the wetland component and erosion control, filter strips, and riparian buffers in the Lake portion. State funding for the CREP leverages federal USDA funds at a four-to-one ratio.

### Lengthy Timeline

The development of the CREP wetland projects involves a lengthy process that requires considerable coordination between private landowners and federal, State, and local agencies. Program implementation includes the following:

- Strategic site identification.
- Land rights negotiations and enrollment.
- Intensive engineering and tile-drainage design analysis.

- Public bidding and contracting.
- Construction quality control while maintaining landowner rights and operations objectives.

### Projects Summary



Since the Program was established, there have been six sites completed. The following is a summary of ongoing projects:

- 32 sites in the engineering phase with funds obligated.
- 258 sites where the landowner is considering a CREP project.
- 760 sites identified for CREP projects.

### Obligated Funds

There are several projects currently in the survey, design, and/or engineering phase, obligating approximately \$2.8 million in State funds. The CREP unobligated balance is approximately \$1.1 million.

### Copies Available

Copies of the **Issue Review** may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

## ISSUE REVIEW RELEASED – BOARD OF REGENTS STUDENT FINANCIAL AID FOR FY 2003

### Issue Review

The Fiscal Services Division of the LSA recently published an **Issue Review** that provides information regarding student financial aid provided at the Board of Regents universities for FY 2003.

### 2003 Financial Aid

During 2003, a total of \$619.8 million in financial aid was provided to students at the Board of Regents universities. The distribution by source of funds consisted of the following:



- Federal - \$330.1 million (53.2%)
- State - \$70.2 million (11.3%)
- Institutional - \$192.5 million (31.1%)
- Other - \$27.0 million (4.4%)

### Types of Funds

Financial aid packages include grants and scholarships, loans, and employment (work study). The distribution by type of funds consisted of the following:

- Grants/scholarships - \$145.7 million (23.5%)
- Loans - \$337.1 million (54.4%)
- Employment - \$137.0 million (22.1%)

### Debt Load

Graduating students who spent four years at the same Regents university had the following average debt load:



**Copies Available**

- University of Iowa - \$23,448
- Iowa State University - \$26,398
- University of Northern Iowa - \$16,693

Copies of the **Issue Review** may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

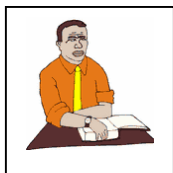
STAFF CONTACT: Mary Shipman (Ext. 14617)

**Issue Review**

**ISSUE REVIEW RELEASED – COLLEGE WORK STUDY**

The Fiscal Services Division of the LSA recently published an **Issue Review** that provides information regarding college work study programs.

**Federal Funding**



Iowa's State-funded College Work Study Program has been in place since FY 1985. The Program was first funded in FY 1988, and is independent from federal work study funds. Federal work study funding does not require a State General Fund match. Iowa colleges and universities receive federal work study funds directly from the U.S. Department of Education. Recent federal appropriations to Iowa for Work Study are as follows:

- FFY 2001 - \$12.4 million
- FFY 2002 - \$13.3 million
- FFY 2003 - \$13.4 million
- FFY 2004 - \$13.4 million
- FFY 2005 - \$13.3 million

**State Funding Nullified**

Current Iowa law requires a standing General Fund appropriation of \$2.8 million per year for the Work Study Program. However, because of budget constraints and other factors, the General Assembly has nullified this appropriation since FY 2002. During FY 2001, the Program provided an average award of \$650 to approximately 4,538 students.

**Future Funding**



Since the Work Study Program is funded with a statutory standing General Fund appropriation, it must be funded or nullified each year. Since the Program has been nullified each year since FY 2001, the General Assembly may wish to consider permanent elimination of the Program. Until the standing appropriation is eliminated from statute, the funding of \$2.8 million will continue to be listed on the built-in funding requirements for General Fund spending each year.

**Copies Available**

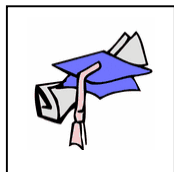
Copies of the **Issue Review** may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Shipman (Ext. 14617)

---

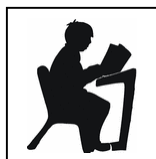
**ISSUE REVIEW RELEASED – HIGH SCHOOL DROPOUTS****Issue Review**

The Fiscal Services of the LSA recently released an **Issue Review** that examines the patterns and trends for high school dropouts and the costs for dropout prevention programs in Iowa.

**Background Information**

Iowa high school dropouts annually earn about \$4,100 less than high school graduates. Over a 45-year working life, the loss in earnings amounts to approximately \$184,000 compared to a high school graduate. Some of the trends include:

- High school dropouts have higher unemployment rates than graduates.
- Minority students represent 8.8% of total high school enrollment but 21.2% of students dropping out of high school.
- Iowa's annual high school dropout rate has decreased by 30.9% between FY 1992 and FY 2002, reaching 2.4% in FY 2002. At this annual rate, approximately 9.6% of students drop out during their high school career.

**Budget Impact**

Programs for returning dropouts and dropout prevention are developed and administered at the local level. The Department of Education has application and approval procedures and oversight for the programs. In FY 2005, the programs received \$64.4 million from property taxes and \$9.8 million within the State Foundation Aid appropriation.

It is estimated that over a 45-year working life, a high school graduate will pay \$8,595 more income and sales taxes than a high school dropout. The breakeven point at which increased taxes pay for the dropout prevention programs would require that 8,639 at-risk students be prevented from dropping out.

Over the past five years, there were an estimated 13,628 at-risk students in each high school class; on average, 4,319 dropped out. This leaves 9,309 "at-risk" students who graduated annually – a number that exceeds the breakeven point. This is a cursory examination, but suggests the returns may exceed the costs of the programs. A more rigorous and detailed study would be needed to confirm this implication and to examine the effectiveness of the dropout prevention programs.

**Copies Available**

Copies of the **Issue Review** may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

---

**ISSUE REVIEW RELEASED – SPECIAL LICENSE PLATES****Issue Review**

The Fiscal Services Division of the LSA recently released an **Issue Review** that provides an overview of the types of special license plates issued in Iowa and the establishment and distribution of fees collected from the sale of the plates.

**Revenues**

The total fees collected from special license plates, including initial issuance and annual renewal fees, are deposited into the Road Use Tax Fund. For special plates that are sponsored by a State agency and for which fees are



designated for a specific fund, prior to crediting the fees to the Road Use Tax Fund, the State Treasurer credits the amount of special plate fees collected in the previous month to the special fund.



In FY 2004, approximately \$774,000 was credited to special funds, which includes initial issuances and annual validation fees. Revenues deposited into the Road Use Tax Fund are unknown, since the revenues are not separated out from other registration fees and titles.

**Copies Available**

Copies of the **Issue Review** may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb>. Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

---

This document can be found on the LSA web site:  
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>